

**U.S. DOE Regional Natural Gas Forums  
Phoenix, AZ  
August 19, 2003**

**Comments  
Presented by Chairman William J. Keese  
California Energy Commission**

- Introductions
- We appreciate the opportunity to provide California's view on natural gas short term supply/demand issues.
- The problem was initially characterized as a short term imbalance in natural gas supply and demand with a focus on inadequate national natural gas storage inventories in preparation for this coming winter and a need to boost natural gas production. Attention was later provided to energy efficiency and conservation.
- The result is natural gas prices that are considerably higher than they were a year ago.
- The Energy Commission agrees that natural gas demand and supply on a national basis are in very tight balance and prices

appear to be extremely high. California is currently in much better shape than the rest of the nation with relatively healthy levels of stored natural gas. As of August 1, 2003, instate storage was 186 Bcf, or 76.5% of maximum storage. This is well above the minimum of 153 Bcf we need by the start of the heating season—November 1. [HOWEVER, A HEAT WAVE OR COLD SNAP COULD SHATTER OUR CONFIDENCE.]

- The Energy Commission strongly recommends that the top priority for immediate government action lie in encouraging much greater investments in energy efficiency and conservation.
- Energy efficiency (hard-wired technology improvements) and conservation (behavior changes) can provide a very rapid consumer response that reduces both total demand and consumers' bills.
- The energy efficiency and conservation programs should focus on both natural gas and electricity, since natural gas fired generation tends to be the marginal electricity supply source throughout the nation. Thus, saving electricity saves natural gas.

- The saved natural gas can then be made available for additional injections into storage.
- California proved that this strategy was highly effective during its last energy crisis.
- California also demonstrated that consumers were **immediately** responsive with significant energy savings achieved within two months following the state's "call to action".
- In our electricity crisis year 2001, public awareness campaigns coupled with peak reduction programs and appliance rebates brought about monthly peak megawatt savings ranging from a low of 2.3% (December) to a high of 14.1% (June) compared to the previous year. (Simple average is over 8%).
- California's energy efficiency programs have been shown to be extremely effective on a long term basis as well. The average residential household now consumes only 52 % of the natural gas as compared to what the average residential consumer did 30 years ago. This increase in efficiency is remarkable considering that the average residential household is now much

larger in square footage and California's recent population growth has been into much harsher climates.

- Therefore, we recommend that the federal government

**immediately:**

1. Alert all U.S. natural gas and electricity consumers of the need to reduce their consumption,
  2. Provide additional funding to energy efficiency and conservation programs.
- This public awareness campaign needs to be headed by the chief executive, as our Governor did in 2001, and the message provided consistently by all governmental agencies.
  - We also support appropriate actions to increase natural gas production and import additional natural gas and electricity supplies, consistent with existing environmental and public safety requirements.
  - These supply-oriented actions will help improve the supply/demand balance in the intermediate and longer term, but

are not as effective as energy efficiency and conservation in the shorter term.

- The California Energy Commission is currently preparing its 2003 Integrated Energy Policy Report and has already posted many staff reports on its website at:

<http://www.energy.ca.gov/energypolicy/>

These reports contain additional information related to U.S.

DOE's investigation and are available for your consideration.

- California has successfully dealt with this type of an immediate threat to our state's energy situation and we offer that experience as a basis for your action.
- Further, U.S. DOE can do more administratively to improve our nation's, and California's, energy efficiency. As an example, DOE weakened the energy efficiency standard applied to air conditioners from 13 SEER to 12 SEER, an action that California strongly protested. We will seek a waiver to increase that minimum standard to 13 SEER and, even more important, to add a minimum EER requirement. We recommend that U.S. DOE

adopt the same standards that California has already found to be cost effective and in the best interests of consumers.

- Further, we strongly urge U.S. DOE to incorporate EERs for those regions of the United States where the summers are hot and dry. SEERs were developed for humid climates and efficiency ratings based on EERs better address dry climates. Reducing electricity needs for air conditioning will have great spillover benefits for natural gas power plants.
- Thank you for this opportunity to provide California's views on how to manage our energy situation in the short term. We look forward as a community of states to help the federal government better manage this energy situation.